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SUBJECT: SINO-BURMESE ECONOMIC RELATIONS - PIPELINES NOT
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REF: A. 2007 RANGOON 706
[1](#)B. 2007 RANGOON 313
[1](#)C. 2008 RANGOON 609
[1](#)D. SINGAPORE 228

Summary

[1](#)1. (SBU0 Chinese scholars seemed unconcerned with the political situation in Burma and focused primarily on the economic relationship between the two countries during recent meetings with EmbOffs. The high cost of food and energy in Burma is inflaming the country's volatile political situation and only economic development can bring stability, according to one Chinese scholar. Another scholar cited "mutually beneficial" hydroelectric power projects being built by Chinese firms as examples of economic cooperation between China and Burma. Scholars dismissed press reports about Chinese participation in the construction of an oil pipeline between the Bay of Bengal and Yunnan province, questioning the feasibility of such a project. Sino-Burmese bilateral trade grew by over thirty percent in 2007 to USD 1.2 billion, according to a Chinese study published in Fall 2008. China reportedly made a major investment in Burma's mining sector last year as well. End Summary.

[1](#)2. (SBU) The best way to address social and political instability in Burma is by first stabilizing the economy, China Institute of International Studies (CIIS) Asia-Pacific Security and Cooperation Department Director Shen Shishun told EmbOffs March 25. Shen suggested that the turmoil Burma experienced in August and September of 2008 was precipitated by both political issues, including popular desire for democratic reform, and economic factors, such as the sudden increase in gasoline prices immediately prior to the unrest. The continuing high costs of both food and energy in Burma are exacerbating an already volatile political situation, he maintained.

Building Dams in Burma "Mutually Beneficial"

[1](#)3. (SBU) China has deep political and economic ties with Burma despite the country's "rogue status" in the international community, Beijing University Center for Asian-Pacific Studies Deputy Director Yang Baoyun told Econoff March 23. Yang cited the many dam projects underway in Burma as examples of economic cooperation, saying such projects are "mutually beneficial" - Burma gets much needed capital and China gets electricity. Press

reports stating 15,000 Chinese workers will construct the Irrawaddy river hydropower plant are likely true as Burma has very few skilled laborers, Yang said. Still, the project, which press reports say is a collaboration between the Burma-Asia World Corporation and the China Power Investment Corporation (CPI) will employ "many" local workers. Yang said CPI also provides informal training to the Burmese workers.

¶4. (U) Sino-Burmese economic ties were on display during a March 28 visit to Burma by Li Changchun, a member of the Standing Committee of the Central Party Committee's Political Bureau. Press reports state Li inspected the Burma third generation mobile communication network project in Rangoon which was built by China's ZTE Corporation. He also visited the Mandalay Industrial Training Center which, according to those reports, was built with Chinese aid. Li lauded the "mutually beneficial" economic and trade ties and urged the two governments to find more "win-win" areas of cooperation.

Pipelines Still a Pipe Dream?

¶5. (SBU) Discussions on the construction of an oil pipeline connecting Yunnan province to the Bay of Bengal (and thus bypassing the Strait of Malacca maritime choke point) and natural gas pipelines from Burmese gas fields to Yunnan have been under way for several years, but little visible progress has been made toward commencing construction. The two countries signed an MOU on oil and gas pipeline construction in June 2007 (ref A). In November 2008, following another round of bilateral talks, Chinese media

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reported that pipeline construction would likely begin in ¶2009. The week of March 23, the two countries announced they had signed a joint agreement on oil and natural gas pipeline construction.

¶6. (SBU) Dr. Zhao Hongtu, research professor and energy specialist at the Institute of World Economic Studies at the China Institutes of Contemporary International Relations (CICIR), told Econoff in early March that, contrary to media reporting, China only has plans to construct a gas pipeline, not an oil pipeline, linking the two countries. CIIS' Yang similarly dismissed press reports that claim China and Burma will soon begin construction of an oil pipeline. He questioned the feasibility of such a project given the estimated high construction costs and the difficulty of laying a pipeline through the mountainous terrain between the two countries. Chinese Academy of Social Sciences Institute of Asia-Pacific Studies Research Fellow Zhao Jianglin concurred, saying a feasibility study to assess the oil pipeline project has yet to be launched. (Note: While the two countries have seemingly made more progress in planning for a gas pipeline, a timeframe for construction has yet to be determined. In January 2007, China National Petroleum Corporation (CNPC) and Myanmar Oil and Gas Enterprise (MOGE) launched a feasibility study on the project (ref B). CNPC signed an MOU with MOGE and Korea's Daewoo International in June 2008 under which Daewoo agreed to sell natural gas from Burma's Shwe gas fields to CNPC that would be transported to China through the planned pipeline (ref C).

India "Can't Compete"

¶7. (SBU) Yang also dismissed reports regarding China and India competing for resources in Burma. India's "Looking East Policy" seeks to strengthen ties between India and the ASEAN nations, Yang stated, but China already has close relations with these countries. Burma and China are "like relatives," he said, and, as such, India "can't compete." (Note: ref D seems to confirm Yang's views that India's approach towards ASEAN countries is less strategic than

China's and its relations are less developed).

China Trade with Burma Continues to Grow

¶18. (U) Sino-Burmese bilateral trade, while still relatively small, increased over 30 percent from 2006 to USD 1.21 billion in 2007, according to the China-ASEAN Business and Investment Development Report published by CIIS (and authored by CIIS' Shen). China's exports to Burma, consisting primarily of "machinery equipment, acoustic products and spare parts," accounted for USD 893 million, while its imports of "lumber, teak, natural rubber and minerals" amounted to USD 315 million. The report states that in recent years, Sino-Burmese trade has grown in excess of 20 percent annually, making China Burma's second largest trading partner (behind Thailand).

¶19. (U) According to Associated Press reports dated March 20, Burma's Ministry of National Planning and Development claimed foreign direct investment climbed to USD 974.9 million in the first eleven months of 2008, with China accounting for USD 855.9 million of the total. This was a 93 percent increase over 2007 levels, the report states. The report suggests the China Nonferrous Metal Group, a state-owned enterprise, was a major contributor to this spike, having reportedly signed the largest-ever mining deal with the Burmese government. No details on the deal were provided, however, and the company declined to meet with Embassy officials.

Comment

¶10. (SBU) Despite being some of China's leading thinkers on Sino-Burmese relations, none of the scholars we talked to seemed to have given any thought to U.S. policy toward Burma, nor were they aware of Secretary Clinton's remarks on the need for the USG to reassess that policy. When asked their views on whether the United States and China could work together to improve the situation in Burma, scholars instead turned to well-worn responses of China's "non-interference" in other countries' internal affairs or ranted about American "hegemony" in the

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region. One scholar stressed that the U.S. and China would first need to establish more of a foundation of mutual trust before they could work together to solve international issues. End Comment.

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